



House of Representatives

General Assembly

File No. 158

January Session, 2001

House Bill No. 5002

House of Representatives, April 9, 2001

The Committee on Banks reported through REP. DOYLE of the 28th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING BANK CHARGES ON OVERDRAFT COSTS FOR BOUNCED CHECKS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 (NEW) A bank, as defined in section 36a-2 of the general statutes,
- 2 may not charge a fee against the account of a customer that is a
- 3 nonprofit organization exempt from taxation pursuant to Section
- 4 501(c) of the Internal Revenue Code of 1986, or any subsequent
- 5 corresponding internal revenue code of the United States, as from time
- 6 to time amended, solely because such customer deposited a check that
- 7 is dishonored by the payor bank.

BA *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Affected Agencies: None

Municipal Impact: None

Explanation**State Impact:**

The bill prohibits a Connecticut bank from charging a fee against the account of a customer that is a nonprofit organization solely because such customer deposited a check that is dishonored by the payor bank. The bill has no fiscal impact on the Department of Banking.

OLR Bill Analysis

HB 5002

AN ACT CONCERNING BANK CHARGES ON OVERDRAFT COSTS FOR BOUNCED CHECKS.**SUMMARY:**

This bill prohibits Connecticut-chartered banks and federal banks that have their main offices in Connecticut from charging a fee (often known as a deposit return fee) against tax-exempt nonprofit organizations' accounts for depositing a check that bounced.

EFFECTIVE DATE: October 1, 2001

BACKGROUND***501(c) Organizations***

Tax-exempt nonprofit organizations listed in Section 501(c) of the federal Internal Revenue Code include religious, charitable, scientific, public safety testing, literary, educational, and prevention of cruelty to children or animals organizations; labor, agricultural, and horticultural organizations; business leagues, chambers of commerce, real estate boards, and boards of trade; social clubs; fraternal beneficiary societies, voluntary employees' beneficiary associations, and local benevolent life insurance associations; mutual irrigation and telephone companies; cemetery companies and crematoria; credit unions; mutual insurance funds; certain mutual insurance companies or associations; corporations organized to finance crop operations; certain supplemental unemployment benefit trusts; certain funded pension trusts; war veterans' organizations; and black lung trusts.

Related Federal Regulations

Federal law gives national banks broad authority to exercise all incidental powers necessary to carry on the business of banking (12 U.S.C.A. § 24). It generally preempts state laws that attempt to regulate

the national banks' legitimate business decisions.

Comptroller of the Currency regulations leave the decision whether to assess fees and charges up to the national banks' discretion. The federal rules provide general guidelines for how national banks should set these fees (12 C.F.R. § 7.4002(a), (b)).

The Office of the Comptroller of the Currency decides whether a national bank may establish non-interest charges or fees on a case-by-case basis, regardless of a contrary state law that tries to limit or prohibit such charges or fees (12 C.F.R. § 7.4002(d)).

COMMITTEE ACTION

Banks Committee

Joint Favorable Report

Yea 12 Nay 4